

AR53



CHAIRMAN'S STATEMENT

1964

A handwritten signature in blue ink, appearing to read 'G. J. de la', is written over the company name.

ANGLO AMERICAN CORPORATION
OF SOUTH AFRICA, LIMITED

*Issued by Anglo American Corporation of South Africa, Limited,
44 Main Street, Johannesburg, to be read in conjunction with
the Corporation's 47th annual report and accounts.*

STATEMENT BY THE CHAIRMAN, MR. H. F. OPPENHEIMER

DURING the year we suffered a great loss in the death of Mr. Esmond Baring at the early age of 49. Mr. Esmond Baring was a director and London agent of the Corporation for more than twelve years and was a man of ability, energy and courage and a wonderful friend. He will be deeply missed by his colleagues.

After the end of the year Dr. M. H. de Kock was appointed a director. Dr. de Kock was Governor of The South African Reserve Bank for no fewer than 17 years and his exceptional ability and unique experience will certainly be of the greatest value. It is a particular pleasure to welcome him to the board.

The Corporation continued to make good progress in 1963. Consolidated profits after tax amounted to R23,644,000, compared with R19,565,000 in 1962. This is an increase of over 20 per cent. In considering

these figures, however, there are two points that must be borne in mind. First, taxation in 1963 was higher by R704,000, attributable largely to the decrease in tax liability in 1962 on account of the introduction of the "pay as you earn" system. Secondly, the figures for 1963 included the profit of New Rhodesia Investments Limited, the whole capital of which was acquired in exchange for 1,200,000 new shares in the Corporation. Ordinary dividends for the year at R1 per share were at the same rate as in 1962.

THE SOUTH AFRICAN ECONOMY

The South African economy is at present very strong. The gross national product and the real income per head of the population have both been rising rapidly. This fortunate situation has develop-

ed behind the barriers created by currency and import control (though the latter has recently been very much relaxed) and by virtue of a substantial favourable external balance on current account, to which the rising gold output has made an important contribution. In such circumstances the risk of inflation has to be carefully watched but, until now, South Africa's record in this respect has, comparatively speaking, been very good indeed. Over the last five years the price level has been increasing at an average rate of only 1.5 per cent per annum. For this much credit is certainly due to the conservative fiscal policies of the government but a still more important factor is that productivity has been rising considerably faster than wages. This is not to say that wages have been pegged. On the contrary, over the five years since 1959, the average wages of White workers in industry have risen by 3.7 per cent per annum and of non-White workers by 5.3 per cent per annum. In the year 1963 increases were 5.3 per cent for White and 6.6 per cent for non-White workers. These figures are impressive. They not only illustrate South Africa's prosperity but go a long way to explain why the country is so much more stable than many people are inclined to suppose. Nevertheless there is no reason for complacency. Although African wages have risen and are rising rapidly, they are still too low, and so is the average productivity of the African worker. At the present time, if the African peasant farmers in the reserves are to be regarded as employed and permanently settled there, there is virtually no unemployment in South Africa and though there is still considerable room for improvement in productivity through more efficient management and the better use of labour, the possibilities of development at the present levels of skill are by no means unlimited. If, therefore, South Africa's progress is to continue and the risk of inflation to be avoided, it is essential to take steps through educational and training schemes to raise the level of skill of our workers, especially of the non-White workers, where the opportunities for improvement are greatest, and to see that industry is organized in such a way as to allow improved skills by all sec-

tions of the population to be exercised. In South African industry over 60 per cent of the workers are classed as unskilled, as compared with only 15 per cent in the United States. These figures illustrate the magnitude of our problem and of our opportunity.

EXPANSION AND DEVELOPMENT

The Corporation continued its active role in South African development. The gold production of the mines of the Group increased by nearly 11 per cent and, in spite of the fact that the Springs and Brakpan mines have now reached the end of their lives, the Group's gold production will increase further over the next few years. Prospecting for gold has also continued on a large scale but, unfortunately, so far without success.

On behalf of the De Beers company we are proceeding with the opening up of an important newly discovered diamond pipe, the Finsch mine in the Postmasburg district, and we are directing prospecting work at sea in the marine diamond concessions along 165 miles of the coast of South West Africa and on land in the adjoining foreshore. Prospecting on the De Beers farms in Namaqualand is also being continued and the coastal areas adjoining Kleinsee to the north are being equipped for substantially increased diamond production.

We are also developing our coal interests. Production of coking coal and coke is being expanded to satisfy the demand of the iron and steel industry, and we are giving attention to the need to meet the changing requirements of consumers, particularly in the fields of smokeless fuels and char.

The Group has recently expanded rapidly in the field of secondary industry and has now formed a new finance and investment company, Anglo American Industrial Corporation Limited, to consolidate the development of our industrial holdings and those of certain associated companies. We visualize this new corporation as much more than an investment trust and believe that it can play an important part in initiating new industrial development, either

independently or in partnership with other interests, both South African and overseas.

Soon after its formation, Anglo American Industrial Corporation made a successful bid for the entire issued capital of Scaw Metals Limited. This was done, not only because Scaw Metals is a successful and well-managed company of whose prospects we have formed a high opinion, but because the deal will, we think, facilitate the long-term plans on which we are working for participation on a larger scale in the steel industry. These plans are by no means complete and many difficulties will have to be overcome if they are to be put into effect. What we envisage is a plant producing both steel and vanadium pentoxide in substantial quantities from the ores of the Bushveld Complex. This would involve a very large investment. The vanadium would almost all be produced for export for which the long-term prospects look favourable. The scheme could not, however, be economically viable unless a large proportion of the steel could be sold in the home market and this requires both the goodwill of the government and the co-operation of the government-owned iron and steel corporation (IsCOR). We have discussed the project with the government department concerned and with IsCOR, both of whom have readily co-operated in examining it. The question of timing is obviously of great importance since we must satisfy ourselves as to the date when South African consumption is likely to justify a major new plant. I am hopeful that the project will eventually be undertaken, but whether it would be sound business at this stage is a matter about which we cannot be sure until we know the views of IsCOR on our entering the South African market.

OUTSIDE TRADITIONAL FIELDS

The directors' report gives details about a number of new enterprises in which we have recently engaged. The plant at Witbank for the manufacture of low carbon ferrochrome, which we started in partnership with Avesta Jernverks Aktiebolag, is

now complete and production has commenced. We have formed, in partnership with Boart and Hard Metal Products Limited, a construction company, Amalgamated Construction and Contracting Company (Pty) Limited, which has made a promising start. We have entered the real estate business on a large scale and, in particular, have undertaken, in partnership with The South African Breweries Limited, the development of four central city blocks in Johannesburg as one integrated building project, which will include a large new hotel built to the highest international standards. All this development illustrates the broadening base of the Corporation and our willingness to undertake new business outside our traditional fields.

Another interesting business that we have recently undertaken is the formation of a new company, Mainstraat Beleggings (Edms.) Beperk, in partnership with Federale Mynbou. The principal assets of the new company are large shareholdings in General Mining and Finance Corporation Limited and in The Trans-Natal Coal Corporation Limited. It is hoped to develop the company further to serve as a link between the two groups in business over a wide field. Federale Mynbou is a comparatively young mining company which has been very active and successful and with which we have enjoyed friendly relations over a number of years in regard to mutual interests in the field of coal mining. We welcome Federale Mynbou's increased participation through Mainstraat Beleggings in the gold mining industry and we believe that our closer association with them will be to the mutual benefit of the two groups.

The New York office of our subsidiary company, Anglo American Corporation of South Africa (North America) Limited, was opened in the course of the year and Mr. M. W. Rush took up the position of the Corporation's director in North America. Through the operation of this office we have strengthened our ties with the Hudson Bay Mining and Smelting Company Limited, and Mr. Rush has recently been appointed chairman and president of this company.

REORGANIZATION IN RHODESIA

The dissolution of the Federation of Rhodesia and Nyasaland has made necessary a reorganization of our Rhodesian interests. The removal from Salisbury to Lusaka of the head offices of the Northern Rhodesian mining companies of the Group, as well as Rhodesian Anglo American Limited, which I discussed in my statement last year, took place at the beginning of the year. Mr. P. H. A. Brownrigg has moved to Lusaka and taken charge of the office there. He has been elected a deputy chairman of the Group mining companies in Northern Rhodesia and has also been appointed a member of the executive committee of the board of the Corporation. A new subsidiary company, Anglo American Corporation (Central Africa) Limited, has been registered in Northern Rhodesia with its head office in Lusaka and has taken over the technical and administrative functions previously exercised by the Corporation itself in relation to the Northern Rhodesian companies of the Group and will also act in the place of the Corporation as consulting engineers and geologists to the Williamson diamond mine in Tanganyika. We aim in future at providing such technical and administrative functions as the Group may be called upon to perform in tropical Africa through this new subsidiary in Lusaka.

As I write, the constitutional talks in London between the Northern Rhodesian delegation and the United Kingdom government are nearing completion, and it seems clear that Northern Rhodesia will achieve independence as a republic in October of this year. The political changes in Northern Rhodesia over the last two years have been very rapid, but as the present government becomes more firmly established, I am glad to say that there is greater stability and confidence in the country than for some time. It has however been a period of considerable unrest on the Copperbelt, and there has been a number of unconstitutional strikes.

INCREASED DEMAND FOR COPPER

During January of this year a two-year period of price stability in the copper market came to an end

when the cash price of wirebars on the London Metal Exchange rose substantially. Throughout 1962 and 1963 the cash price on the exchange had been maintained at around £234 per ton. This had been accomplished by purchasing on the exchange surplus arisings of copper and also by regulating the tonnages of copper made available to world markets. In making their contribution, the mines of this Group decided to restrict sales rather than production as it was felt that only in times of weak markets could stocks be accumulated against the day when the pendulum of demand would swing the other way. At the beginning of this year, when the rising tide of demand made its impact on the market, the mines of this Group were accordingly in a position to meet most of the increased requirements of their customers by drawing on these stocks. However, these stocks alone were insufficient to satisfy all the demands for prompt deliveries and this gave impetus to the rise in prices on the London Metal Exchange. In the belief that such inflated prices were not in the long-term interests of copper, certain of the world's major producers, including mines of this Group, decided to sell copper to their contractual customers at prices which they considered to be more competitive.

As was announced on 8th May, Nchanga Consolidated Mines has offered to acquire the ordinary capital of Bancroft Mines through the issue of one unit of Nchanga stock for every six units of Bancroft stock. This offer, which has been recommended by the boards of both companies, is subject to the approval of stockholders and to satisfactory arrangements being completed with the holders of Bancroft preference shares. Considerable advantages to both companies, mainly connected with the rationalization of plant and productive capacities, will flow from the closer relationship between these two mines, and the arrangement will enable Nchanga to increase substantially its output of copper over the next three years. This expansion of the scale of our operations on the Copperbelt should make a significant contribution to the economy of Northern Rhodesia during a period

when national development will be of critical importance.

At Rhodesia Broken Hill, despite a five weeks' strike, the satisfactory operation of the I.S.F. furnace, coupled with higher prices of lead and zinc, has brought about an improvement in the financial position of the company.

SOUTHERN RHODESIA

Our Salisbury office is headed by Mr. H. H. Taylor, who has been appointed chief agent in Southern Rhodesia. The political situation in Southern Rhodesia gives cause for uncertainty and some anxiety. In spite of this, however, many sections of the economy have continued to make excellent progress. The weight of the 1963/64 tobacco crop was a record and the sugar and beef industries have both had successful years and show good prospects for the future.

At Hippo Valley Estates, where we have a large interest, substantial progress has been made. Sugar cane land under irrigation will be increased in the next twelve months from 6,500 acres to 15,000 acres and the company expects to increase production of sugar from 42,000 tons this year to 100,000 tons next year and to 150,000 tons in 1966. As a result of development so far, employment in the Lowveld area has doubled in the past year, with Hippo Valley Estates and its neighbour, Triangle sugar estates, now employing over 12,000 people. There will be a further substantial increase in employment by the time the development programme is completed.

Current coal sales by Wankie Colliery Company Limited are exceeding earlier expectations and for the year ended 31st August, 1964, sales are likely to approximate last year's tonnage of 2.8 million. Significantly, the consumption of electricity in Southern Rhodesia for the first nine months of this financial year increased by 13 per cent over the corresponding figures for the previous year. Although this increase in the consumption of hydro-generated power does not directly affect

coal sales, it is an indication that economic growth in the country has not been halted. Wankie Colliery can of course expect to benefit from any quickening of the economic tempo.

In the field of exploration, the Corporation's contribution to the development of the economic resources of Southern Rhodesia has continued on an increased scale. Systematic prospecting over a wide area, including some of the remoter parts of the country, is being carried out. In this investigation, gold, copper and chromium ores are of primary interest.

On the political side it is encouraging to know that the reconstituted government, led by Mr. Ian Smith, intends to pursue the reasonable aim of independence for the country along the constitutional path of further negotiations with the British government. Southern Rhodesia needs British goodwill and co-operation for her development and if these were forfeited, the important achievements of the country over the last decade would be jeopardized and very possibly lost. These are difficult times but we are hopeful that a satisfactory solution to the Southern Rhodesian political problem will be found, as the economic potential of the country provides an attractive area to seek new business opportunities and to expand our existing investments.

OUR ROLE IN AFRICA

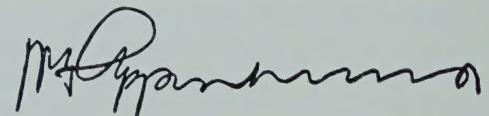
It will be plain to shareholders that the political ferment throughout Africa has confronted us with difficult problems. It may perhaps also offer us special opportunities for growth and for service. International condemnation of the racial policies of South Africa becomes more vociferous and the pressures for international action against South Africa are greater than they have ever been. I have never sought to disguise my personal views about this question. Discrimination on grounds of race or colour is morally wrong and partition on grounds of race or colour is economically impossible. Yet these are the twin pillars of official South African

policy. But that is by no means the whole story. If in South Africa the voting rights for parliament are, with minor exceptions, confined to the Whites, at least within those limits a true parliamentary system operates, which may yet provide a framework for greater representation of non-Whites in government. There is, after all, no great advantage in universal suffrage if there is only one party to vote for. In South Africa the opposition press, though sometimes threatened, remains free and outspoken; the judiciary carries out its functions independently of the executive; the civil service is efficient and honest and the standard of living for all races is high by African standards and is rising rapidly. Of how many countries in the world is it possible to say the same?

The change to a full parliamentary democracy in South Africa, which so many people would like to see, would not be brought about by trade boycotts or other international action designed to isolate South Africa. If such action were effective, which is most unlikely, it would produce, not democracy, but either a dictatorship of some sort or other, or chaos. The racial pattern in South Africa is not to be changed by driving the country into

isolation but by encouraging the building of bridges in fields of mutual interest, and there are many such fields, to South Africa and the newly independent African states. There is no doubt that South Africa could play a very helpful part, if she were allowed to do so, in the economic development of the continent. In South Africa there is available capital and "knowhow" for export and an intimate knowledge and experience of African conditions. Moreover South African private investors would, I believe, be more willing than others to take the risks of investment elsewhere in Africa.

We have become an international group called upon and prepared to work under widely different political and social conditions. As such we do not seek to influence political developments and are involved in them only to the extent that they impinge on our opportunities for economic development in the African continent, to the mutual benefit, as we hope, of our shareholders and of the people of the countries where we operate. The raising of the standards of living in the relatively undeveloped countries of Africa is a world problem of immense significance to which we believe we have a real contribution to make.



Chairman

JOHANNESBURG

18th May, 1964

